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This translation is the first of its kind in the history of the structure of the American economy. It is a major step in the development of the American economy.

...at the veritable flood of violence that is bombarding homes, schools, children, men, and women of the Nation.

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The bill also is a tribute to the unflinching zeal and the two-front attack of our Postal Operations Subcommittee on the iniquitous trade in window pictures, movies, and the like--now flowing through all avenues of commerce--which has become a public scandal. The subcommittee, under the able chairmanship of the distinguished gentleman from Pennsylvania, Representative KATHYNS E. CARMAN, has developed and placed in effect a two-phase campaign to protect the public, as explained in the later discussion of the subcommittee studies.

H.R. 7378 makes two important changes in the law. It extends from 20 days to 45 days the time in which the Postmaster General may detain mail addressed to any individual or firm which he finds sending obscene or fraudulent matter through the mails. The existing 20-day period is entirely inadequate. The only way to stop a purveyor of filth is to cut off the incoming flow of his mail. His ventures, as will be done under the bill, The second change authorizes detention of mail when "the public interest" is affected. As to the nature of the "public interest," the matter giving rise to the detention order, in lieu of the existing authority to detain mail when necessary "for enforcement" of the statute including obscenity from the mails. This "public interest" standard is tried and proved one under which responsibility for the enforcement of other public protection laws, such as the Securities and Exchange Act, have been carried so successfully in the public interest.

POSTAGE RATES FOR BOOKS AND LIBRARY BOOKS
H.R. 4595, pending in the Senate, retains and clarifies postage rate provisions under which books, library books, and related materials are mailed at special low rates. Either the third- or fourth-class rate or the book rate, whichever a carrier will apply to mailings of books and certain other educational matter. The book rates are extended to sound motion pictures in lieu of the existing application to phonograph recordings. Periodicals may be mailed at the book rates in either bound or unbound form. Guides or scripts may be mailed as books and strips of the book rates. Certain meaningless language is removed from the book and the library book postal rate provisions.

THIRD-CLASS MAILING OF OLD STICKS AND STRIPS

Public Law 85-58 revises the minimum postage charge for third-class mail of old sticks or strips from 6 cents to 3 1/2 cents. This revision eliminates serious hardship imposed by the 6-cent rate on old stick manufacturers, particularly small businesses and also removes certain operating problems arising in the Postal Establishment because of the 6-cent charge.

OTHER LEGISLATION

H.R. 163, sent to the White House September 9, credits service--for retirement purposes--of U.S. commissioners,

who are compensated by fees, on the same basis as to credit such service for military officers who are compensated by fees.

H.R. 8241 eliminates certain inequities which have operated to deprive former Members of Congress reemployed in appointive positions of their earned retirement annuities. Conditions affecting reemployment of former Members of Congress are placed on substantially the same basis now provided by law for other retired Government employees.

H.R. 6830, pending in the Senate, clarifies the law relating to sworn statements of publishers having second-class mail permits and extends to magazines the requirement--now applied to most newspapers--that the sworn statements show average number of copies of each issue sold or distributed to paid subscribers. The publishers support the bill, which will facilitate postal operations.

H.R. 5571, pending in the Senate, makes career postal employees with 10 years of service eligible for postmasterhips at their offices if of better quality than those they replace outside the office or the office delivery route.

Public Law 85-169 authorizes credit for postal revenue of commissions on telephone in post offices amounts received by employees for business travel expenses, and substance when subpoenaed to appear officially in private litigation, and collections for fees of first-class registered matter not restored to the original owner.

Public Law 85-33 facilitates the training of postmasters by specifically authorizing such training under the Government Employees Training Act. Public Law 85-507.

Public Law 85-122 eliminates from Government salary laws an obsolete provision which is contradictory to existing budget and appropriation procedures. The provision eliminated purported to authorize salary costs, incurred in part in one fiscal year and in part in the following fiscal year, to be charged to the following year appropriations.

SPECIAL STUDIES AND INVESTIGATIONS

MANPOWER UTILIZATION SUBCOMMITTEE

The Subcommittee on Manpower Utilization has continued its study, begun in the 85th Congress, of the contracting out of Government responsibilities for administrative and management services, especially in the research and development of guided missiles. A preliminary report issued by the subcommittee in April points out several improvements made by the departments and agencies since the subcommittee began its investigation in November 1957. For example, the report shows that a recent Navy reorganization has corrected overlapping and duplication found within the Department of the Navy missile program at the time of the initial investigation.

Subcommittee hearings last December pointed up areas of possible conflict of interest in the Air Force ballistic missile program. The Secretary of the Air Force subsequently issued policy statements setting forth guidelines for research and development contractors dealing with hardware-producing contractors.

Among several other needed improvements, Department of Defense officials have revised so as to be more flexible and thereby reduce personnel turnover. Turnover in several key job areas of the military departments having primary responsibility for missiles was found by the subcommittee to be excessive.

As a continuation of the subcommittee's analysis of the missile program, the subcommittee chairman on February 12 requested the General Accounting Office to conduct an investigation and furnish answers to several basic questions raised by the subcommittee in its study of utilization of scientists and engineers in the missile programs of the Defense Department. Close liaison has been maintained with the General Accounting Office in the development of this information and, when it is received, the subcommittee plans to issue a final report on the utilization of manpower in the missile programs.

Public hearings were held in February extending the scope of the study and emphasizing the preliminary report on the utilization of manpower in the missile program. The hearings, which resulted in House Report 858, 85th Congress, related primarily to the Government's policy of contracting out the training of military personnel.

This report indicates a policy trend in the field of Government contracting which if uncorrected may well lead to avoidance of primary responsibility imposed on Government departments and agencies. The growing habit of responsible Federal officials to fall back on the contracting device whenever faced with a difficult or unpleasant task is a radical departure from fundamental principles relating to the performance of duties and responsibilities of our Government. This tends to create waste and extravagance and undermines the morale of the career Government employees.

The report recommends that the Defense Department operate its own training program for personnel assigned to military assistance and advisory duties and reappraise its policies relating to contracting for management or personnel services and for the performance of functions historically performed by the Department.

Working with representatives of the Department of Defense, several civilian departments, and the General Accounting Office, the subcommittee developed a new procedure, in the form of a manpower questionnaire, for determining employment trends and for evaluating manpower programs and policies at local field activities. The General Accounting Office will use the manpower questionnaire in the course of its regular audits of the activities. This manpower questionnaire should provide considerable basic information that previously has been lost through editorial processes in the chain of command. Currently the manpower audit is being conducted by the General Accounting Office in three military installations and two civilian field activities.

During July the subcommittee held public hearings as a further continuation

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of an investigation of the effect of the activities of Federal employees of the Government on the contracting of foreign military and naval services performed by the Government. Representatives of the General Services Administration, the Office of Civil and Defense Mobilization, and the International Cooperation Administration appeared and testified. As a result of these hearings, the subcommittee set for further consideration certain matters such as the Government policy of contracting out custodial services, the Department of Defense practice of allowing defense contractors to inspect their own work, and the allowances and benefits currently being paid personnel sent overseas by the International Cooperation Administration.

The subcommittee has increasingly noted the tendency in the executive branch to administer programs for Congress, often with cultural consultants to provide special data on the subject of government expenditures. The subcommittee has been particularly concerned with the tendency to limit the subcommittee's information concerning the use of Congressional funds. The subcommittee has the number of subcommittees which now have the responsibility of such committees, and a degree of overlap in duplication of these committees with other organizations in the Department. The materials from November 1, 1958. The subcommittee program for the recent period included the following:

First, Analysis of new House OS positions created in the past year, as follows: (1) House Report 2108, 84th Congress, entitled "Legislative Control of Federal Positions and Expenses," which showed that in recent years the entire classification Act compensation structure has been rewritten and revised upwards by administrative action.

Second, Hearings in the late fall, in accordance with past subcommittee policy, at which the military departments, armed services, departments and agencies, the Bureau of the Budget, and the Civil Service Commission will report on the use of manpower utilization. Among other matters for these hearings the Department of Defense has been requested to collect information regarding the military departments of U.S. citizens employed overseas. This information will include the number of employees by major geographic area, type of work performed, and the benefits and allowances authorized for these employees.

Third, On-site reviews of the results of the General Accounting Office use of the manpower questionnaire referred to above. It is expected that these reviews not only will point up local personnel and management problems at the activity level but also will indicate broader manpower areas of interest for the consideration of top management in the departments.

POSTAL OPERATION SUBCOMMITTEE

The Postal Operations Subcommittee devoted primary attention during the first session of the 86th Congress, to the growing problem of use of the U.S. mails for the dissemination of obscenity and pornography.

The subcommittee conducted an intensive study directed toward corrective measures and held a number of hearings and conferences to obtain necessary information and recommendations from responsible authorized and from leaders at all governmental levels and in private life.

The subcommittee study and hearings have demonstrated that the circulation of obscenity and pornography, and its effect on the youth of America, by no means are confined to material moving through the mails. Low and lascivious writings, movies, photographs, pictorial representations, and other unfit matter finds its way into the hands of men, women, and children indiscriminately from every conceivable source. Although the subcommittee's basic jurisdiction relates to the postal service, there is an equally compelling need to keep this field open to the widest variety of responsible sources to bring to light and disclose and other means of dissemination to the public. It is only through a joint effort of all responsible parties seems to be necessary to make the general public and thereby to make a false impression in their regard of the moral standards of our society.

The truth of the matter is, young people in every city town and village are being literally bombarded with material which is a large part of the reason for the helplessness of the moral fiber of the future leaders of our nation. Not does the damage and there is no positive prospect in fact of a direct and very dangerous connection between the reading and viewing of such literature and pictures and the frightening increase in juvenile crime and malbehavior.

Use of the U.S. mails is part of what appears to be a master plan for the wholesale promotion and conduct of commerce for profit in obscenity and pornography. The problem has reached such serious proportions as to be of grave concern to every decent man and woman in America. This traffic in filth is all the more vicious because its product is being aimed more and more to the young people and children—those known by the purveyors of filth to be the most susceptible and, therefore, the most likely source of ready income.

Thousands of fathers, mothers, teachers, ministers, priests, and laymen have asked intervention by the Congress to put a stop to unbridled dealing in smut. Many conscientious citizens have written to the subcommittee and to individual Members of Congress indicating their extreme concern and inquiring as to how they might unite with other right-thinking people in their communities to combat this menace to our society. The subcommittee plans to work in cooperation with these volunteers and with organized governmental community, and civic groups which share our objective. The subcommittee report entitled "Obscene Matter Sent Through the Mail," containing findings and recommendations as well as a suggested program for community action, will be issued in the near future. The report is intended, and should serve, to bring the full power

of public indignation to bear on the matter and to encourage community and civic groups to take effective action against the unscrupulous and thoughtless people who deal for profit in filth and smut with no thought for public welfare.

The subcommittee held public hearings in Washington during April and May, to receive the testimony of Postmaster General and other officials regarding the problem of obscenity existing law which declares obscene matter to be nonmailable. Important testimony was received from the legislative chairman of the Church and Commission for Decent Publications, president of the National Council of Catholic Men, the executive secretary of the Board of Christian Social Action, American Lutheran Church, the secretary of public affairs of the National Association of Evangelicals, the director of the General Federation of Women's Clubs, and other leading national organizations. Valuable information was also developed at hearings held in Baltimore, Md., during July, where the subcommittee was privileged to receive the testimony of a great American authority on the subject, Hon. Michael J. McGowan, justice of the Supreme Court of Maryland, and the U.S. district attorney, the chief justice of the Municipal Court of Baltimore, the executive director of the Youth Study Center of Philadelphia, and many other lay and professional leaders and civic leaders.

On the basis of the results of the study and hearings, the subcommittee drafted the bill H.R. 7379, which strengthens the law which declares obscene material to be nonmailable and to make it a more useful and effective instrument for the protection of the public. This bill, which has passed the House unanimously, is discussed more fully above.

CIVIL SERVICE SUBCOMMITTEE

The 1st session of the 86th Congress was highlighted by virtual completion of the Civil Service Subcommittee program instituted in the 84th Congress, to improve and strengthen civilian personnel administration in the over-a century of the Government. The subcommittee report, unanimously approved by the Post Office and Civil Service Committee and printed as House Report 2108, 84th Congress, contains a broad range of major recommendations relating to employment and working conditions of U.S. citizens employed by the Government abroad. These recommendations deal with four primary areas wherein corrective measures were found desirable as a result of a number of hearings and conferences held by the subcommittee with eight foreign nations in which the majority of Americans employed overseas are assigned to duty.

The first such primary area of recommendation—that the competitive civil service be extended to American citizens employed overseas—was placed in effect by executive action in the 84th Congress in accordance with the subcommittee recommendation.

The second, for the establishment of an effective and suitable compensation and employment system for teachers and

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personnel in schools conducted by the Department of Defense. The Department's overseas personnel was placed in effect by Public Law 85-625, discussed earlier. This act provides an up-to-date school system for the overseas teachers and other school personnel along the lines of the District of Columbia primary and secondary school system, and is expected to greatly facilitate and improve overseas school activities while at the same time reducing personnel turnover and recruitment problems to a minimum.

The bill, for clarification and coordination of the then widely varied policies relating to allowances and differentials for the several categories of overseas Government employees of the Government, embodied in H.R. 7668, approved by the House September 8, 1959, is noted earlier. This bill will improve the operation of critical defense and other overseas activities of the Government through the establishment of a coordinated and reasonable uniform system of compensation, American and foreign work expenses, and for hardships and inconveniences incident to their overseas assignments.

The fourth primary area of recommendation, the establishment of a coordinated medical and health program for American citizens employed by the Government abroad, is embodied in H.R. 7669, several companion bills in which final hearings were completed during the last session of the 86th Congress. Like this bill, like the other committee recommendations, is approved by the administration, early action is expected in the second session to place the proposed medical and health program for overseas employees in effect so that these employees will have appropriate medical services and facilities on a reasonably uniform basis.

The subcommittee report and recommendations were highly commended in a statement the White House, in these words:

It is to be said that this was an excellent report, carefully prepared and reflecting a comprehensive review of the facts, figures and overseas hearings and in the end, I believe that the liaison between our office and both my White House and the Civil Service Commission has been a fine example of cooperative effort between legislative and executive branches of Government in developing sound legislation for the better personnel administration.

HEALTH AND GOVERNMENT STATISTICS SUBCOMMITTEE

The Subcommittee on Census and Government Statistics held hearings during the 1960 census, and the new techniques developed by the Bureau of the Census to utilize modern high-speed electronic data-processing equipment to produce faster publication of the 1960 census of statistics at lower cost. It is anticipated that the bulk of the reports will be issued at dates 12 to 18 months ahead of those corresponding reports 10 years earlier.

The Director of the Census Bureau described an auxiliary electronic device called the FOSDIC, standing for the initial letters of film optical sensing device, for input to computers. This piece of

equipment will be used to microfilm questionnaires, read the positioned marks entered by the enumerators, and transcribe the information to tape in the form of magnetic spots, ready to be read by the electronic computer. The FOSDIC tape will then be placed in the electronic computer, where the results will be reviewed, tabulated, and finally transferred to other tapes for use on high-speed printing equipment.

Hearings were also held on the use of electronic data-processing equipment in other Government departments and agencies. The subcommittee hearings disclosed that there will be an increase of more than 300 percent in the number of Government employees engaged in office automation in the next 4 years. The present 4,000 employees engaged directly in the use of electronic data-processing equipment will increase to 13,000 by 1963.

Officials of the Bureau of the Budget and the General Accounting Office testified that they saw no danger that the growing trend to office automation will mean large-scale layoffs for Federal workers who have no experience of training in automation. They indicated that more often office automation has been adopted as a matter of necessity in order to get tasks done that could not be accomplished otherwise, rather than to get current work done by fewer employees.

It is contemplated that public hearings will be held at a later date, at which time representatives of business and leaders of industry and labor will be given the opportunity to testify with respect to the impact of Government reporting requirements. The subcommittee's approach to this inquiry will be with a view to reducing the cost to Government of obtaining and processing information and minimizing the burden upon business enterprises and the general public.

Representatives of the Bureau of the Budget, Bureau of the Census, and other Government agencies will be called upon to explain the part their agency plays in the Government's statistics operation.

It is also contemplated that further hearings will be held regarding the use of electronic data-processing equipment by Government departments and agencies. Inquiry will be made as to the position taken by the Bureau of the Budget on the findings and recommendations developed for the Bureau by the private management firm in its study of personnel problems of the U.S. Government in the adoption and use of electronic data-processing systems.

The subcommittee undertook a study of all statistical activities in the Federal Government. Inquiry is being made as to how many different agencies are asking the same people for identical or similar information. Information will also be developed to indicate the number and types of reports that businesses are required to submit to the various Government agencies.

Special attention will be given to eliminating outdated reports which may at one time have served a useful purpose but which are no longer of use. The

study will include development of standards and the cost involved, of all departments and agencies in the collection, compilation, preparation, and publication of other reporting of statistical data. The study will include not only those statistical activities which the department or agency conducts directly, but also those conducted by firms or organizations outside the Government under contractual arrangements.

The Federal statistical system is distinguished by decentralization and complexity. Although the Bureau of the Census is a large, well-equipped organization with a variety of statistical functions, it has by no means a monopoly on data collection and compilation. Over 60 bureaus, services, commissions, administrations, boards, and other agencies have important statistical functions. In addition, other agencies, while not considering their activities as statistical, collect or compile data for administrative, regulatory, or operating purposes. The serious crisis of the public burden of Government reporting requirements upon business must recognize that a middle ground is to be sought. It must be recognized that the Government and the public, including business itself, need detailed and timely statistical information, and that at least some of it can be collected efficiently only by the Federal Government. However, unremitting attention must be devoted to limiting the burden to the least amount consistent with the needs and benefits. In this connection the subcommittee is in the process of drafting a report entitled, "Business Reporting Requirements of the Federal Government."

A Year of Progress

EXTENSION OF REMARKS

OF

HON. THOMAS J. LANE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, September 14, 1959

Mr. LANE. Mr. Speaker, under leave to extend my remarks in the Record, I wish to include a very interesting editorial which appeared in a recent issue of the National News, official newspaper of the Veterans of World War I of the U.S.A., Inc.:

A Year of Progress

The official year for National Veterans of World War I, Fred J. Hollenbeck, of the Veterans of World War I, comes to an end in September. During the 12 months that have elapsed since the national convention in Springfield, Ill., last year, the group has had a year of new activity.

As of August 31, the membership of the Veterans of World War I stood at 144,000, a gain of nearly 30,000 members. During the same period of time, the number of deaths amounted to 1,871, an increase of 514 over the 1958 total. Three new departments were instituted bringing to 48 the State departments now functioning.

True, the group did not fare too well at the legislative front. The passage of the 1959 bill was strenuously opposed by the

of World War I. But in this instance, the cards were stacked against the measure from the very beginning. The measure was rammed through the House of Representatives under a special rule which virtually cut off debate. When the bill came to the Senate, only Senator Wayne Morse of Oregon put up a determined fight against the proposal. He could enlist but 13 other senators to go along with his amendment which would have granted veterans of World War I a pension of \$20 per month at age 65 subject to income limitations.

This action points up most effectively the drastic need for additional members. Only an increased membership can the veterans of World War I impress the Congress on matters of legislation. An auspicious start has been made by Commander Hollenbeck and his national Chief of Staff M. George Deutsch, who assisted by other national officers and the entire membership of the group.

Many persons skilled in organization work feel that what is needed is a professional organizer who can go out at the barracks level and stimulate a grassroots recruiting drive. An activity of this nature costs money, but if successful, would return countless benefits for the rest of the promotion. Undoubtedly, a letter of proposal will be drafted at the committee meeting and will be considered seriously by the delegates to the convention.

Congratulations to the national commander and his national officers for a banner year.

The Tight Money Policy—Who Loses and Who Gains

EXTENSION OF REMARKS

HON. GEORGE M. RHODES

PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES
Monday, September 14, 1959

Mr. RHODES of Pennsylvania. Mr. Speaker, the Eisenhower administration's fiscal and debt management policies have been extremely costly to the American people. Tight money, high interest rate policies have picked the pockets of the average citizen and the small businessman and resulted in windfall profits to large banks and other financial interests. These administration policies have produced a topheavy economy, caused inflation, curtailed our economic growth, and brought recession, unemployment, and unnecessary human suffering.

Under leave to extend my remarks, I include the following analysis of the losers and gainers from the administration's tight money policy, prepared by the National Farmers Union and appearing in their Washington newsletter for September 11, 1959:

THE TIGHT MONEY POLICY—WHO LOSES AND WHO GAINS

Congressional debate about raising interest rates on Government bonds is highlighting a critical economic policy which affects nearly everyone in the country. Farmers, who always need credit to carry on operations, have been hit directly by higher interest rates. They have also been hit indirectly, along with a great many other people. And the administration's tight money policy is getting even tighter, not looser.

Here are the essential facts on this complicated subject. Some of the figures are so

big that they are almost incomprehensible. Approved For Release 2003/04/23 : CIA-RDP90-00610R000100160031-6

HOW DID IT ALL START?

Nine days after President Eisenhower took office, his Secretary of the Treasury offered Government securities at 2½ or 2¾ percent to replace the previous rate of 1½ percent. This is how the Government regularly borrows money to meet expenses, but the increased rate added more than \$30 million to the U.S. taxpayers' bill for repaying the public debt. It was to be followed by a series of many similar increases which have not yet stopped (although suspended for a while a few years ago).

Why was it done? The explanation was that higher interest rates would dampen the economy, preventing any further inflation.

WHO DIRECTED THE POLICY?

The new Secretary of the Treasury was George Humphrey, industrialist and financier. His new deputy, who handles monetary policy, was W. Randolph Burgess, who had been board chairman of National City Bank, one of New York's largest, and long an advocate of higher interest rates.

Tight money is now a definite part of the administration's policy and is supported also by the independent Federal Reserve Board, which can help any President keep interest rates low if it wants to.

WHAT WAS THE IMPACT?

As soon as Treasury borrowings started paying more in interest rates, other rates were naturally raised to make them equally attractive to investors. A vicious circle was created which still prevails because the U.S. Treasury is the pacemaker.

In quick succession, rates were increased on private bank loans, farm price support loans, FHA loans to home buyers, GI housing loans, installment credit, municipal bonds and nearly everything involving an interest charge.

WHO WAS HIT?

Persons and institutions with money to lend received a windfall almost immediately because they could lend their money for a higher return.

The total benefits to banks, for instance, were estimated by Seymour Harris, noted Harvard economist, to be \$600 million a year from every 1 percent the Treasury succeeded in raising interest rates and ultimately \$1 billion a year by virtue of the general increase in total bank assets. (Nearly one-third of the public debt is loaned by commercial banks.)

This windfall was all the sweeter because it came at a time when bank profits were booming. U.S. bank income the year before (1958) reached a record high of more than \$5 billion.

Net profits, after taxes, also hit a new high—\$990 million, according to the Federal Deposit Insurance Corporation's official report. FDIC pointed out that the most striking earnings development was growth of income from loans (interest payments), which was 16 percent above the previous year and double what it had been 5 years before. This trend has continued.

WHO LOSES FROM TIGHT MONEY?

Anyone who is a debtor automatically loses from having to pay more for borrowed money—and some will have to continue to pay it for 25 years or so, even if rates on new loans go down. There are also other losers.

Taxpayers: This is the biggest group of losers.

In 1951, before the tight money policy, it cost taxpayers \$5.5 billion every year to pay interest on the national public debt. Eisenhower estimates it will cost \$8.5 billion in 1960—an increase of nearly one-half.

This is more than the entire cost of the Federal Government in any New Deal year before World War II.

Between now and the end of 1960, the Treasury plans to borrow about \$100 billion (mostly to pay off maturing bonds which were issued at the old, much lower rates). Each boost of one-fourth of 1 percent would add \$250 million to the cost of carrying the debt each year. In 20 years it would add up to \$5 billion.

An increase of 1 percent on the \$100 billion borrowing would add \$1 billion a year, or \$20 billion in 20 years, to taxpayers' burdens.

None of this increased cost gives the taxpayer any additional service. In fact it eventually increases the cost of whatever other services he must buy.

Effect on other debts: The Federal debt is only about one-third of all debts in the country—State, local, business, consumer, etc. The rest of the debt in the United States—over \$700 billion—is also affected.

The economy is paying \$8 to \$10 billion more this year for the use of money than it would have paid at 1952 rates. Before the tight-money policy started.

About \$100 billion of personal, corporate, State, and local debt will be negotiated between now and the end of 1960. An increase of only one-quarter of 1 percent on this will add \$250 million to the cost of this debt in the next year alone. A 1 percent increase would add \$1 billion the first year. This hits businessmen, particularly the smaller ones who cannot face securities or sell stock to raise capital.

It also hits community services by raising the cost of bonds for public improvements such as schools, highways, and sewers.

Effect on individuals: Every person who has borrowed money since 1952 (or does so in the near future) has been hit personally by higher interest rates. This group includes:

Home buyers: Interest rates on FHA financed homes have been raised several times. In 1952, a \$10,000 FHA loan at 4 percent for 25 years would cost a total of \$18,000 to repay (including \$5,000 interest). In 1959, the same loan—now cost 5½ percent at least—will cost a total of \$25,000 (of which \$5,000 is interest).

This increased cost of \$2,100 is roughly equivalent to one bedroom and a bath.

Corresponding increases have been ordered on GI home loans and have taken place in private home financing.

Installment credit: About 60 percent of all auto and major household appliances are bought on installment credit, especially by low-income families, of course.

A mere one-half of 1 percent increase, for example, on a \$2,000 balance on the purchase price of a car financed over 36 months would boost total interest payments from \$230 to \$240, or more than 9 percent higher.

Farmers: The USDA index of interest payable on an acre of real estate has risen from 104 in January of 1955 to 184 at the present time—a boost of four-fifths.

Loans available from the Farmers Home Administration (only when private credit is not available) have been boosted from 4 to 5 percent—one-fourth.

Cooperative credit institutions such as PCA's have had to follow the Government's lead and increase rates substantially.

Rural electrification loans are still fixed by law at 3 percent, but the administration is fighting for an increase which would add the interest costs, pointing to the increased net of Government borrowing as its reason.

NATIONAL POLICY

There are some of the hard facts involved in the current reluctance, if not refusal, of Congress to give President Eisenhower authority to boost the interest rates on most Government bonds even higher. Meanwhile, Congress has felt it necessary to let him increase the rate on ordinary savings bonds so that people will not continue to cash them in large quantities in order to

Legislative History? or
for what purpose are
you keeping these?

SECRET

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HISTORICAL BACKGROUND OF THE CENTRAL INTELLIGENCE AGENCY

48

This paper, a study of the history of the Central Intelligence Agency, including pertinent materials on World War II intelligence organizations and plans for the postwar era, has been prepared by the Office of General Counsel, Central Intelligence Agency, as an aid to the better understanding of the present structure and functions of the Agency. While the United States has engaged in intelligence activities since its founding, it was not until the events of the early 1940's showed the need for an efficient, fast-moving intelligence service, that such an organization on a governmentwide basis was conceived and developed. The results of this effort culminated in the formation of the Central Intelligence Agency.¹

WORLD WAR II

Coordinator of Information

The events which foretold the advent of the second world war provided the impetus for forming a number of Government organizations which later served as the foundation for the United States intelligence activity during the war. By an Executive Order dated 8 September 1939, President Franklin Roosevelt provided for an office for emergency management "in the event of a national emergency" or the threat of one. Such an office was subsequently established on 25 May 1940. By an administrative order of 7 January 1941, the functions of the office were modified and further defined and included advising and assisting the President in time of emergency, coordinating emergency activities of the Government and informing the President as to the various agencies' progress in emergency matters.

Six months later, the forerunner of a centralized intelligence service was established under the Coordinator of Information. William J. Donovan was named to the position. He had authority from President Roosevelt to:

"Collect and analyze all information and data, which may bear upon national security; to correlate such information and data, and to make such information and data available to the President and to such departments and agencies as the President may determine, and to carry out, when requested by the President, such supplementary activities as may facilitate the securing of information important for national security not now available to the Government." 2.

The Coordinator of Information was to have access to information and data within the various departments and agencies but he was not to interfere with or impair the duties and responsibilities of the President's regular military and naval advisers. To assist him, the Coordinator could appoint committees of representatives of the various departments and agencies. Colonel Donovan was to receive no compensation but was entitled to transportation subsistence and other

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SECRET

Insert before the 1st paragraph on page 10.

Indicative of the type of testimony leading to this comment was that given the Senate Committee on Military Affairs, by General Marshall on October 18, 1945, when he stated:

"Intelligence relates to purpose as well as to military capacity to carry out that purpose. The point, I think, is we should know as much as we possibly can of the possible intent and the capability of any other country in the world. . . .

Prior to entering the war we had little more than what a military attache could learn at a dinner, more or less, over the coffee cups. . . . Today I think we see clearly we must know what the other fellow is planning to do, in our own defense. . . . The important point is that the necessity applies equally outside of the armed forces. It includes the State Department and other functions of the Government, and it should therefore be correlated on that level." *16.*

*16. New York Times, October 19, 1945, p. 3, col. 1. 2. ~~at that~~
~~As quoted by Mr. Gen. Marshall, Director~~
~~Central Intelligence, before the House~~
~~Senate Armed Services Committee,~~
~~8-10-45, p. 1, 12-15-45 (12-17)~~*

continuous coordination on a high level within the Government of our domestic, foreign and military policies, for an appropriate intelligence organization to serve both military and civilian agencies of security . . ."

The postwar Congressional investigations into the Pearl Harbor disaster have been cited as one of the compelling reasons for the establishment of the Central Intelligence Agency. As a result of its investigation in December of 1946, the House Committee on Military Affairs issued "A Report On the System Currently Employed in the Collection, Evaluation and Dissemination of Intelligence Affecting the War Potential of the United States," which recognized the need for strong intelligence as the "nation's first line of defense." The Committee made nine recommendations:

Recommendation 1: That the National Intelligence Authority, established on January 22, 1946, by Presidential directive, be authorized by act of Congress (This is designed to give the new authority a firmer base.)

Recommendation 2: That the National Intelligence Authority shall consist of the Secretaries of State, War, and the Navy, or deputies for intelligence. (The Secretaries are obviously too busy to give this highly important subject the attention it deserves.)

Recommendation 3: That the Central Intelligence Group receive its appropriations direct from the Congress. (At present the Group receives its appropriations as grants from the State Department, War Department, and the Navy Department, an unwieldy and sometimes awkward procedure.)

Recommendation 4: That the Central Intelligence Group have complete control over its own personnel. (At present the Group receives drafts from the Departments of State, War, and Navy.)

Recommendation 5: That the Director of the Central Intelligence Group be a civilian appointed for a preliminary term of 2 years and a permanent term of 10 years, at a salary of at least \$12,000 a year.

(A civilian would be less subject to the control or criticism of any military establishment, less likely to have ambitions in another direction, would be more in keeping with American tradition, would be more symbolic of the politico-military nature of the problem posed by intelligence in peacetime; furthermore, there is nothing to keep a qualified Army or Navy officer from accepting the post in civilian clothes, and there is every desire, by setting the tenure of office at 10 years and making the salary substantial, to make the post attractive to one who has learned intelligence thoroughly in the Army, Navy, or Foreign Service of the State Department. Continuity of service is recognized as very important.)

Recommendation 6: That the Director of the Central Intelligence Group be appointed by the President, by and with the consent of the Senate.

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Recommendation 7: That the Director of Central Intelligence shall (1) accomplish the correlation and evaluation of intelligence relating to the national security, and the appropriate dissemination within the Government of the resulting strategic and national policy intelligence, and in so doing making full use of the staff and facilities of the intelligence agencies already existing in the various Government departments; (2) plan for the coordination of such of the activities of the intelligence agencies of the various Government departments as relate to the national security and recommend to the National Intelligence Authority the establishment of such over-all policies and objectives as will assure the most effective accomplishment of the national intelligence mission; (3) perform, for the benefit of said intelligence agencies, such services of common concern related directly to coordination, correlation, evaluation, and dissemination as the National Intelligence Authority shall determine can be more efficiently accomplished contrally; (4) perform such other similar functions and duties related to intelligence affecting the national security as the Congress and the National Intelligence Authority may from time to time direct. It is specifically understood that the Director of Central Intelligence shall not undertake operations for the collection of intelligence.

(This paragraph is intended to enable the Central Intelligence Group to concentrate on the analysis and evaluation of high-level intelligence for the President and others who have to determine national policy. One should not remove any intelligence operation from the agencies where day-to-day policies and decisions have to be made; the collection and basic analysis in each field of intelligence should be assigned to the agency having primary responsibility in that field.)

Recommendation 8: That Paragraphs 2, 4, 5, 6, 7, 8, 9, and 10 of the Presidential directive of January 22, 1946, relating to the establishment of a National Intelligence Authority be enacted into law, with such revisions in wording as may seem necessary.

(The President's directive was carefully prepared and had at the time of its publication, the support of the interested agencies.)

Recommendation 9: That the Army be requested sympathetically to examine further the question of the establishment of an Intelligence Corps for the training, development, and assignment of especially qualified officers.

In July 1946, a draft of enabling legislation for a proposed Central Intelligence Agency (CIA) was sent to the White House by the Central Intelligence Group. It called for a National Intelligence Authority (NIA) consisting of the Secretaries of State, War, and Navy, a personal representative of the President and the "Director of the Central Intelligence Agency" as a non-voting member. The NIA was to supervise the activities of CIA. It was

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provided that CIA was to be established "with a Director who shall be the head thereof." In December a more detailed and comprehensive draft was submitted to the White House which reflected the experience gained after 10 months of operation under the 22 January 1946 Executive Order.

In proposing this legislation CIG attempted to overcome the unworkable features of its charter, one of the most glaring of which was the necessity for CIG to obtain personnel from the State, War and Navy Departments. It was not until well into the summer of 1946 that arrangements were made for CIG to hire personnel directly. Budgetary problems also were very difficult to handle until agreement was reached which established a working fund at the disposal of the CIG. Fortunately for CIG all of the departments and agencies of the Government and particularly the Bureau of the Budget, the General Accounting Office and the State, War, Navy and Treasury Departments, were quick to realize the special administrative problems which arose in the administration and operations of an intelligence agency. They made possible the arrangements which enabled the agency to operate. However, the manner of administrative and logistical support was always considered to be of a temporary nature pending the passage of some form of military unification legislation.

One of the drafts of enabling legislation had incorporated the term "with a Director of Central Intelligence who shall be the head thereof." This particular wording was the same as the terminology in the 22 January directive. Its apparent purpose was to create a post to be filled by an official, responsible for the centralized intelligence functions for the entire Federal Government, with an intelligence agency to assist him.

In January 1947, at the time this proposed legislation was being studied at the White House, President Truman announced that the War and Navy Departments had agreed on a legislative program for unification of the armed services. Shortly thereafter, a serious effort was made to draft unification legislation for submission to Congress. A team consisting of Vice Admiral Forrest Sherman, Major General Lauris Norstad and Charles Murphy, Administrative Assistant to the President, was selected to write the White House version of the National Defense Act of 1947.

The draft which resulted made the CIA the coordinating agency for intelligence, apparently adapting to the intelligence field the example made in earlier military unification proposals, which envisioned a single defense organization to which was attached a number of coordinating agencies, some for inter-military departmental coordination, and others for military-civilian coordination.

The team did not include in their draft many of the more controversial proposals contained in the December CIG draft, probably because of anticipated difficulties in getting them through Congress. Instead, they sought simply to lay down the broad framework of a central intelligence service upon which the detailed organization could later be developed.

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